

Testimony

of

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Principal Deputy Under Secretary of Defense (Comptroller)

before the

House Government Reform Committee

on

“Financial Friendly Fire: A Review of Persistent Military Pay Problems”

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HOUSE GOVERNMENT REFORM COMMITTEE

Thank you, Mr. Chairman, Congressman Waxman, and members of the Committee. I am very pleased to be here with Mr. Gaddy, Mr. Ford, Mr. Lewis and Col McAllister to discuss the important topic of Accurate Pay Support for our Wounded Soldiers.

The statements of my colleagues will outline what the Department of Defense is doing to address the pay problems experienced by a number of our military members that we have discovered and that have been identified by the GAO. So I will restrict my statement to some broader statements of Defense Department policy and commitment.

First, be assured that keeping military pay straight is one of the most important priorities of the Department of Defense. None of our missions and goals will ever get far if we do not take good care of our military people, and that starts with their compensation. And certainly, what group could be more deserving of keeping pay straight than troops who have been wounded in action. So our Department leaders are committed to moving as quickly as possible whenever we find problems affecting our military people and their families.

My second point is that the Department of Defense continues to make progress on solving what is the basic cause of these pay problems: the lack of an integrated personnel, pay, and medical system. Secretary Rumsfeld and other DoD leaders recognize that we need to overhaul our information and management systems to preclude problems – not simply scrambling to patch together fixes. The Secretary has made clear that transforming how the Department of Defense does business is just as important as transforming our weapons and how our military fights. More to the point, all of the elements of Defense Transformation are

interwoven. Department has established Personnel Pay Council made up of senior Office of the Secretary of Defense executives whose responsibility it is to identify potential pay problems and put in place process fixes.

Furthermore and perhaps more important, the Department recently established the Business Transformation Agency (BTA), responsible for development and implementation of Defense business systems. As one of its top priorities, the BTA is taking lead on the implementation phase of the Defense Integrated Military Human Resource System (DIMHRS), which will help us provide excellence in pay service to our military members. Additionally, the Deputy Secretary of Defense is personally involved in ensuring that DIMHRS is implemented on schedule. Our plan is to have this system fielded by December of Calendar Year 2008.

In previous hearings, the Department offered the Forward Compatible Pay (FCP) system as an interim solution to the pay and personnel integration challenge. In a review of the DIMHRS implementation profile, we found that the Forward Compatible Payroll system was over cost, behind schedule and with little chance of reaching the desired level of performance. The expected fielding date of the system was such that it would be functional about the same time as DIMHRS. Therefore, FCP was not an interim solution, but a duplicate system solution, and therefore the FCP program was cancelled.

With that overview, I will defer to my Army and DFAS colleagues for a detailed discussion of our diagnosis of the pay problems we discovered and the solutions to those problems. Thank you for this opportunity to discuss a most significant subject that directly affects the welfare of our troops and their families.